

Message Text

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SUBJECT: STATUS OF ENRICHMENT ACTIVITIES IN EUROPE

REF: STATE 062396

A. VERY LITTLE NEW INFORMATION IS AVAILABLE THAN ALREADY REPORTED ON ENRICHMENT ACTIVITIES IN EUROPE. BOTH EURODIF AND URENCO HAVE CAREFULLY AVOIDED RELEASE OF DETAILED INFORMATION ABOUT THEIR CONTRACT TERMS, COMMITMENTS OF CAPACITY THROUGH FIRM CONTRACTS OR LETTERS OF INTENT, AND DEFINITIVE FINANCING FOR THESE FACILITIES. AN UPDATED SUMMARY OF INFORMATION OBTAINED MAINLY THROUGH TRADE PRESS AND CONVERSATIONS WITH ENRICHMENT CUSTOMERS IS PROVIDED AS REQUESTED.

B1. THE EURODIF PROJECT IS COMMITTED TO A GASEOUS DIFFUSION PLANT TO BE LOCATED AT TRICASTIN, FRANCE, WITH A CAPACITY OF 10.5 MILLION SEPARATIVE WORK UNITS (SWU). INITIAL STARTUP WITH A CAPACITY OF 3.5 MILLION SWU IS PROJECTED FOR 1979, WITH FULL OPERATION BY 1981. FINANCING OF EURODIF IS UNDERSTOOD
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TO BE 90 PERCENT DEBT AND 10 PERCENT EQUITY. OWNERSHIP IS

DISTRIBUTED AS FOLLOWS: 42.8 PERCENT FRANCE, 25 PERCENT ITALY, 11.1 PERCENT BELGIUM, 11.1 PERCENT SPAIN, 10 PERCENT IRAN THROUGH A JOINT OWNERSHIP WITH FRANCE (60 PERCENT CEA, 40 PERCENT IRAN) OF 25 PERCENT OF EURODIF. IN THE ORIGINAL FINANCING PLAN FOR EURODIF, WE UNDERSTAND EACH SUPPORTING COUNTRY WAS RESPONSIBLE FOR PROVIDING THE MONETARY RESOURCE FOR THEIR PERCENTAGE SHARE IN EURODIF BY 10 PERCENT AS EQUITY AND THE BALANCE BY GUARANTEED BANK LOANS AND BY PREPAYMENTS. THIS FORMULA WAS DEVELOPED BASED ON AN ORIGINAL PLANT COST OF 7 BILLION FRENCH FRANCS AND IS PRESUMED TO CONTINUE UNDER THE NEW PROJECTED COST OF 15 BILLION FRENCH FRANCS. THESE COSTS ARE FOR THE DIFFUSION PLANT ALONE AND DO NOT INCLUDE THE APPROXIMATELY 2500 MWE OF NUCLEAR POWER ALSO REQUIRED.

COMMENT: FRANCE APPEARS TO HAVE ARRANGED FOR A LARGE SHARE OF THEIR PART IN THE FINANCING ROUGH ONE BILLION DOLLARS FROM IRAN IN THE OWNERSHIP ON A 60-40 BASIS WITH IRAN OF 25 PERCENT OF THE VENTURE. (I.E., FRANCE HAS 27.8 PERCENT PLUS 15 PERCENT THROUGH THE JOINT COMPANY, OR 42.8 PERCENT OBLIGATION FOR THE 15 BILLION FRENCH FRANCS, WHICH EQUALS APPROXIMATELY 6.5 BILLION FRENCH FRANCS. IF 10 PERCENT IS PROVIDED BY FRANCE AS EQUITY, THE REMAINING ROUGHLY 6 BILLION FRENCH FRANCS WOULD BE ABOUT 1.5 BILLION U.S. DOLLARS AT THE PRESENT RATE OF EXCHANGE.)

2. EACH EURODIF SUPPORTING COUNTRY, INCLUDING THE 10 PERCENT SHARE OF IRAN, PROVIDES FOR THE OPTION OF SHARE OF THE CAPACITY EQUIVALENT TO THEIR PERCENT SHARE SUPPORTING THE PROJECT LESS SALES TO NON-MEMBER COUNTRIES. WE UNDERSTAND TERMS FOR SUPPORTING COUNTRIES ARE MORE FAVORABLE THAN SALES TO OTHERS BUT ARE UNAWARE TO WHAT DEGREE TO SUPPORTING COUNTRIES HAVE CONTRACTED FOR OR HAVE AN OBLIGATION TO TAKE THEIR ALLOCATED PERCENTAGE OF THE CAPACITY.

COMMENT: ITALY'S 25 PERCENT SHARE OF EURODIF APPEARS TO EXCEED THEIR REQUIREMENTS THROUGH 1985 WHEN ADDED TO THE SWU SCHEDULED FOR PURCHASE FROM ERDA AND THE USSR.

3. WE HAVE SEEN ANNOUNCEMENTS THAT FRANCE'S NUCLEAR POWER PROGRAM (TARGET OF ABOUT 40-50,000 MWE BY 1985) WILL REQUIRE MORE SWU THAN THEIR PERCENTAGE SHARE IN EURODIF. FRANCE HAS UNCLASSIFIED

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CERTAIN PURCHASE COMMITMENTS TO THE USSR AS WELL AS FIRM CONTRACTS WITH ERDA.

4. WITH REGARD TO DATA ON COMMITMENTS OF THE CAPACITY, WE HAVE SEEN ANNOUNCEMENTS THAT JAPAN HAS CONTRACTED FOR ONE MILLION SWU PER YEAR FOR THE 1979-1989 PERIOD, OR THE FIRST 10 YEARS OF OPERATION OF THE PLANT. THE TERMS OF THIS ARRANGEMENT ARE UNKNOWN BUT ARE REPORTED TO INCLUDE ADVANCE PAYMENTS OF

33 MILLION FRENCH FRANCS ANNUALLY STARTING IN 1975. THE 10 MILLION SWU PURCHASE FROM EURODIF WAS A GOVERNMENT-TO-GOVERNMENT AGREEMENT WHICH REQUIRED SUBSEQUENT CONTRACTS BY JAPANESE UTILITIES WITH EURODIF. WE UNDERSTAND THESE HAVE BEEN SIGNED, BUT THE PRESS FREQUENTLY DOES NOT MAKE ANY DISTINCTION BETWEEN A SIGNED CONTRACT VERSUS A LETTER OF INTENT.

5. TWO WEST GERMAN UTILITIES (RWE & EVS) HAVE REPORTEDLY PLACED ORDERS WITH EURODIF FOR 660000 SWU. SPAIN HAS GIVEN EURODIF A LETTER OF INTENT FOR 3.9 MILLION SWU. THE EURATOM SUPPLY AGENCY INFORMS US THAT THE OTHER EURODIF PARTNERS EXPECTED ANNUAL COMMITMENTS ARE ABOUT 800,000 SWU FOR BELGIUM, 3.0 MILLION FOR FRANCE, AND 2.0 MILLION FOR ITALY.

C. 1. THE URENCO CENTRIFUGE PROJECT IS AN EQUALLY SHARED PARTNERSHIP BY GERMANY, THE NETHERLANDS, AND THE U.K. AT PRESENT, 1/3 OF THE PROJECTED CAPACITY IS SCHEDULED FOR CAPENHURST URENCO (U.K.) IN WHICH THE OWNERSHIP IS DISTRIBUTED AS FOLLOWS: 75 PERCENT U.K., 12.5 PERCENT GERMANY, AND 12.5 PERCENT NETHERLANDS. THEREMAINING 2/3 CAPACITY IS SLATED FOR ALMELO URENCO NETHERLANDS WITH AN OWNERSHIP DISTRIBUTION OF 43.75 PERCENT NETHERLAND, 43.75 PERCENT GERMANY, AND 12.5 PERCENT U.K.

2. THE ANNOUNCED TARGET FOR THE URENCO PROJECT IS 2 MILLION SWU CAPACITY BY 1982 AND INCREASING BY ABOUT 2 MILLION SWU PER YEAR FOR A TOTAL CAPACITY OF 10 MILLION SWU BY 1985. WHILE THE URENCO TARGET INCLUDES ADDING ABOUT 2 MILLION SWU PER YEAR AFTER 1982, WE UNDERSTAND THESE INCREASES WILL BE DEPENDENT ON FIRM ORDERS FROM UTILITY CUSTOMERS.

3. THE FINANCING APPEARS TO BE BY EQUITY AND GUARANTEED LOANS PROVIDED BY THE SUPPORTING COUNTRIES WHICH IN TURN ARE UNCLASSIFIED

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LARGELY BASED ON FIRM CONTRACTS FROM UTILITIES FOR THE PLANT OUTPUT.

4. THERE WAS AN ANNOUNCEMENT IN 1973 OF A CEGB ORDER FOR AROUND 1.3 MILLIN SWU ANNUALLY STARTING IN 1980. WE HAVE SEEN NO EVIDENCE THAT A FIRM CONTRACT FOR THIS QUANTITY WITH URECO WAS SIGNED. A RECENT ANNOUNCEMENT INDICATES THE GERMAN UTILITIES HAS CONTRACTED WITH URENCO FOR ABOUT 1.3 MILLION SWU ANNUALLY FOR 10 YEARS.

5. AS IN THE CASE OF EURODIF, WE HAVE SEEN LITTLE DETAIL ABOUT THE URENCO CONTRACT TERMS, ALTHOUGH THERE WAS AN ANNOUNCEMENT AT THE INTERNATIONAL CONFERENCE OF ISOTOPE SEPARATION IN LONDON ON MARCH 5-7, 1975, THAT URENCO'S PRICE WAS BEING INCREASED TO \$100 PER SWU. THEY VERY POINTEDLY ANNOUNCED AT THAT TIME

THIS PRICE WAS COMPETITIVE WITH ANY ARRANGEMENT MANAGED ON A STRICTLY COMMERCIAL BASIS. THERE WERE EARLY INDICATIONS URENCO REQUIRED FOUR YEARS LEAD TIME AND TEN-YEAR COMMITMENTS PLUS DOWNPAYMENTS AND PRICE ESCALATION ON DIRECT COSTS.

D. THERE HAVE BEEN A NUMBER OF ANNOUNCED PURCHASES OF SWU FROM THE USSR. THESE INCLUDED 4.2 MILLION SWU BY ITALY, 5.1 MILLION SWU BY SPAIN, 300,000 SWU BY SWEDEN, 6.8 MILLION SWU BY GERMANY, 1.0 MILLION BY THE U.K., AND 3.7 MILLION SWU BY FRANCE. THESE QUANTITIES ARE FOR DELIVERY IN ANNUAL INCREMENTS FROM THE LATE 1970'S THROUGH THE 1980'S. THERE HAS ALSO BEEN SOME INDICATION THAT FRANCE OR EURODIF HAS DISCUSSED WITH THE USSR A CONTINGENCY QUANTITY OF SWU IN THE EVENT OF DELAYS IN STARTUP OR OPERATING DIFFICULTIES IN EURODIF. NO COPIES OF CONTRACTS NOR DETAILS OF THE ARRANGEMENTS BETWEEN CUSTOMERS AND THE USSR HAVE BEEN PUBLISHED. WE HAVE BEEN TOLD INFORMALLY THAT DOING BUSINESS WITH THE SOVIETS IS EXTREMELY DIFFICULT IN LIGHT OF THE SEPARATION OF RESPONSIBILITY BETWEEN THEIR COMMERCIAL REPRESENTATIVE TECHNABEXPORT, AND THE ORGANIZATION WITHIN THE USSR OPERATING THE ENRICHMENT FACILITIES. THESE DIFFICULTIES ARE FURTHER COMPOUNDED BY HAVING TO TURN OVER FEED MATERIAL AT THE SOVIET BORDER WITHOUT KNOWLEDGE OF ITS DESTINATION OR TIME AND BORDER POINT FOR RETURN OF THE PRODUCT EXCEPT WHEN NOTIFIED BY THE SOVIETS.
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